

**Louisiana Housing Council
Authorities Group Self Insurance
Risk Management Agency
Church Point, Louisiana
March 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

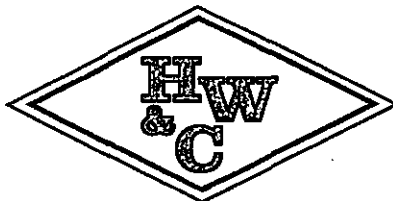
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HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

September 16, 2011

Independent Auditor's Report

Insurance Committee
Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Church Point, Louisiana

We have audited the accompanying balance sheets of the

**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Church Point, Louisiana**

as of March 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency as of March 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information and the Schedule 1 -10 Year Claims Development information on pages 5 through 7 and 23 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, on our consideration of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the combining and combined balance sheets, combining and combined statements of revenues, expenses, and changes in net assets, and the Financial Indicator Table is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yours truly,

Hawthorn, Wymouth & Carroll, LLP

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Management's Discussion and Analysis**

The following is management's discussion and analysis of the financial performance of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency (the IRMA) for the fiscal year ending March 31, 2011. It is presented as a narrative overview and analysis for the purpose of assisting the reader in interpreting the key elements of the financial statements, notes to the financial statements, and supporting schedules for the current year.

The Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency is an association of City and Parish Public Housing Authorities in the State of Louisiana who pool their funds to purchase certain types of insurance coverage. The IRMA was originally formed in 1994 and currently offers coverage for Worker's Compensation, Fire and Extended Coverage (Property), and General Liability. Each line of coverage is a separate fund within the IRMA and has different membership with the General Liability Fund having the broadest membership of 117 Authorities. Additional coverages offered by LHC include Public Officials Liability, Health, Long Term Disability, Life, and Pension.

A committee of 7 members along with an Insurance Coordinator (who is contracted by the LHC Executive Committee) serves as the insurance committee. This committee makes the decisions regarding the insurance operations and results are shown herein. The IRMA and its insurance program are currently administered by Arthur J. Gallagher Risk Management Services, Inc. at the direction of the committee.

Financial Highlights (in Millions)

	<u>At March 31, 2011</u>	<u>At March 31, 2010</u>	<u>At March 31, 2009</u>	<u>Percentage Increase (Decrease)</u>
Cash and Investments	10.95	9.71	10.52	12.8%
Reserves for Unpaid Claims	1.21	1.48	1.70	(18.2)%
Net Assets	9.94	7.89	7.25	26.0%

	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2009</u>	<u>Percentage Increase (Decrease)</u>
Premium Income	12.26	11.68	9.84	5.0%
Premiums Ceded and Insurance				
Policies Purchased	6.82	6.72	5.01	1.5%
Investment Income and				
Change in Unsold Investments	0.02	0.08	0.24	(75.0)%
Net Claims Expense	3.00	3.49	2.96	(14.0)%
Administrative, Legal and, Overhead Fees	0.66	0.50	0.53	32.0%
Net Income Prior to Dividends	2.04	1.23	1.84	65.9%
Net Income (loss)	2.04	0.65	(0.28)	213.9%

As shown above, cash and investments have increased by 12.8% which was the result of an increase in net premiums earned of approximately \$480,000. For the year 2010 - 2011, the IRMA performed a comprehensive review of property values and increased values on many properties causing the associated premiums earned on the Fire and Extended Coverage fund to increase by \$223,000. Likewise, premiums increased by \$170,000 (5%) on the Health Fund which is consistent with trends in health related premiums.

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Management's Discussion and Analysis**

Financial Highlights (in Millions) (Continued)

The funds net income prior to dividends was \$2.0 million in 2011 compared to \$1.2 million in 2010. Claims expenses decreased by approximately \$500,000, which is predominantly driven by the absence of any major catastrophic property losses during the policy period. Reinsurance costs remained level from 2010 to 2011. Reserves for unpaid claims have decreased by approximately \$270,000 during 2011. LHC's insurance programs now have a combined \$9.94 million in total fund equity as of March 31, 2011.

Total claims incurred decreased by approximately \$349,000, which was primarily a result of a decrease in property claims expense for 2010 to 2011. The table below shows claims expense by each self-insured fund over the past three years.

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Worker's Compensation	(\$37,111)	\$5,541	(\$20,197)
Health	2,215,830	1,974,146	1,582,157
Fire & Extended Coverage	586,711	1,456,896	1,188,830
General Liability	<u>232,195</u>	<u>53,699</u>	<u>211,416</u>
Total	<u>2,997,625</u>	<u>3,490,282</u>	<u>2,962,206</u>

Investment income for fiscal year 2011 was \$22,462 or about 0.2% earned on average cash and investments compared to \$80,024 and 0.8% from fiscal year 2010. The negative trend in investment earnings is consistent with the overall investment environment for the current fiscal year.

The overall net income prior to dividends for 2011 increased to \$2,041,883 versus \$1,234,340 for the 2010 fiscal year. This increase in net income was driven mostly by the increase in net premiums earned and the decrease in claims expenses discussed above.

Basic Financial Statements

The basic financial statements include information for the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency. The statements are presented in accordance with Governmental Accounting Standards Board (GASB) accounting principles and include the Balance Sheets; Statements of Revenues, Expenses, and Changes in Net Assets; and Statements of Cash Flows.

The Balance Sheets present the assets and liabilities of the IRMA and insurance programs. The difference between total assets and liabilities is represented as net assets and is a useful indicator of the surplus generated for all years of operation. The change in net assets is a useful measure of whether the financial position is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets present the results of the insurance operations for the past two fiscal years. This statement shows the revenues generated by the funds along with the associated expenses. The revenues in excess of expenses are represented as net income and contribute to the change in net assets from one year to another.

The Statements of Cash Flows presents information showing how cash changed throughout the fiscal years as a result of operations.

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Management's Discussion and Analysis**

Other Receivables

The balance sheet contains an asset titled Other Receivables. The balance in this account is comprised of the items detailed in the following table.

	<u>March 31,</u> <u>2011</u>	<u>March 31,</u> <u>2010</u>	<u>March 31,</u> <u>2009</u>
Pension Forfeiture Credits Receivable	\$93,704	\$85,905	\$74,349
Policyholder Dividends Receivable	80,091		
Miscellaneous Receivables	<u> </u>	<u> </u>	<u>6,135</u>
Total	<u>173,795</u>	<u>85,905</u>	<u>80,484</u>

As detailed above, the most significant changes from year to year were in policyholder dividends due to the IRMA from its workers compensation coverage provider, Louisiana Workers' Compensation Corporation (LWCC). The dividend was declared by LWCC for the 2010 calendar year but was not received by the IRMA until after March 31, 2011. Dividends for prior years were received prior to March 31.

Unearned Premiums

When premiums are pre-collected for a renewal or insurance carrier premium installment, a liability must be established to reflect that as of that point in time, those collections were made for activity that was to happen subsequent to the date of the financial statements.

Other Payables

The Balance Sheet for March 31, 2010 has an Other Payables balance of \$590,000. This payable represents the dividend payment that was approved by the board prior to fiscal year end. The actual distribution took place shortly thereafter. No dividends were declared for the 2011 year and no payable is recorded at March 31, 2011.

Contacting the IRMA's Insurance Coordinator

This financial report is intended to provide a general overview of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency for interested parties. Questions concerning information provided herein, or requests for additional financial information should be addressed to the Louisiana Housing Council's Insurance Coordinator:

Ms. Gertrude Broach
405 South David
Church Point, LA 70525

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Balance Sheets
March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$5,035,023	\$4,842,187
Restricted cash		200,000
Investments	5,916,828	4,666,132
Premiums receivable	7,828	16,077
Reinsurance receivables	140,541	378,661
Prepaid expenses	295,256	282,538
Other receivables	173,795	85,905
Escrow funds	30,456	32,556
Accrued interest	<u>21,752</u>	<u>24,200</u>
Total assets	<u>11,621,479</u>	<u>10,528,256</u>
Liabilities and Net Assets		
Accounts payable	9,080	5,345
Unpaid claims liability	1,208,558	1,484,588
Deposits	104,677	173,116
Unearned premiums	206,427	228,974
Pension funds payable	63,819	66,997
Pension forfeitures payable	93,704	85,905
Other payables		<u>590,000</u>
Total liabilities	<u>1,686,265</u>	<u>2,634,925</u>
Net Assets		
Restricted		200,000
Unrestricted	<u>9,935,214</u>	<u>7,693,331</u>
Total net assets	<u>9,935,214</u>	<u>7,893,331</u>
Total liabilities and net assets	<u>11,621,479</u>	<u>10,528,256</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Premiums earned	\$12,263,894	\$11,680,238
Premiums ceded	<u>(6,821,659)</u>	<u>(6,721,443)</u>
Net premiums earned	5,442,235	4,958,795
Pension funds received	777,128	722,846
Investment income	155,256	158,781
Net appreciation (depreciation) in fair value of investments	(132,794)	(78,757)
LHC fee	127,241	127,259
Other	<u>103,122</u>	<u>62,066</u>
Total revenues	<u>6,472,188</u>	<u>5,950,990</u>
Expenses		
Claims expenses	3,254,156	3,602,742
Less reinsurance proceeds	<u>(256,531)</u>	<u>(112,460)</u>
Net incurred claims expenses	2,997,625	3,490,282
Administrative fees	122,234	121,488
Insurance coordinator fees	20,004	21,671
Claims administrator fees	176,910	163,676
Pension funds transferred	776,325	722,089
Fees paid to LHC	127,241	127,259
Bank service charges/other	190,983	59,205
Legal fees	13,483	2,480
Actuarial fees	5,500	8,500
Policyholder dividends	<u></u>	<u>586,572</u>
Total expenses	<u>4,430,305</u>	<u>5,303,222</u>
Net Income	2,041,883	647,768
Net Assets		
Beginning of year	<u>7,893,331</u>	<u>7,245,563</u>
End of year	<u>9,935,214</u>	<u>7,893,331</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Premiums received	\$12,249,596	\$11,723,077
Premiums paid	(6,821,659)	(6,898,231)
Reinsurance proceeds	416,201	105,042
Pension funds received	771,704	717,425
Investment activity	157,704	171,232
Claims paid	(3,518,075)	(3,529,070)
Pension funds paid	(779,503)	(716,374)
Payments for fees and bank charges	(452,115)	(510,742)
Policyholder dividends paid	(590,000)	(1,984,534)
Other receipts	<u>142,473</u>	<u>189,325</u>
<u>Net cash provided (used) by operating activities</u>	<u>1,576,326</u>	<u>(732,850)</u>
Cash Flows from Investing Activities		
Proceeds from sale and maturity of investment securities	24,031	1,619,777
Purchase of investment securities	<u>(1,407,521)</u>	<u>(779,809)</u>
<u>Net cash provided (used) by investing activities</u>	<u>(1,383,490)</u>	<u>839,968</u>
Net Increase in Cash	192,836	107,118
Cash, beginning of year	<u>4,842,187</u>	<u>4,735,069</u>
Cash, end of year	<u>5,035,023</u>	<u>4,842,187</u>

The accompanying notes are an integral part of these statements.

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Statements of Cash Flows
Years Ended March 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Net income	\$1,950,146	\$647,768
Adjustments to reconcile net income to net cash provided by operations		
Net (appreciation) depreciation in fair value of investments	132,794	78,757
(Increase) Decrease in		
Restricted cash	200,000	
Receivables	80,029	546,204
Accrued investment income	2,448	12,451
Prepaid expenses	(12,718)	(165,099)
Escrow funds	2,100	17,060
Increase (Decrease) in		
Unpaid claims liability	(105,843)	(214,461)
Deposits	(68,439)	(263,186)
Unearned premiums	(22,547)	13,896
Accounts payable	3,735	(6,463)
Policy premiums payable		(7,530)
Pension funds payable	(3,178)	5,715
Pension forfeitures payable	7,799	
Other payables	<u>(590,000)</u>	<u>(1,397,962)</u>
<u>Net cash provided (used) by operating activities</u>	<u>1,576,326</u>	<u>(732,850)</u>

The accompanying notes are an integral part of these statements.

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011**

Note 1-Public Entity Risk Pools

In April, 1984, the Governmental Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local entities.

In November, 1989, the GASB issued Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10) to establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools.

In February, 1996, the GASB issued Statement No. 30 "Risk Financing Omnibus, An Amendment of GASB Statement No. 10".

A "public entity risk pool" is defined in GASB Statement No. 10 as a "cooperative group of governmental entities joining together to finance an exposure, liability, or risk." There are four basic types of public entity risk pools which can serve one or several of the following functions:

Risk-Sharing Pool

An arrangement by which governments pool risks and funds and share in the control of losses.

Insurance-Purchasing Pool

An arrangement by which governments pool funds or resources to purchase commercial insurance products.

Banking Pool

An arrangement by which monies are made available for pool members in the event of loss on a loan basis.

Claims-Servicing or Account Pool

An arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid.

Risk-Sharing Pools

Workers Compensation Fund
Health Fund
Fire & Extended Coverage Fund
General Liability Fund

Insurance-Purchasing Pools

Long-Term Disability Fund
Life Insurance Fund
Public Officials Liability Fund

Participation in the Agency is open to all housing authorities which are members of the Louisiana Housing Council, Inc. These housing authorities join together to acquire commercial insurance coverage at lower costs. Participation is voluntary and participants may withdraw by giving proper notice. The Agency's general objectives are to formulate, develop and administer, on behalf of the member housing authorities, a program of inter-local risk management to obtain lower costs for that coverage.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011

Note 1-Public Entity Risk Pools (Continued)

In 1981, the Louisiana Legislature enacted Louisiana Revised Statutes (LRS) 33:1351 through 33:1360, the "Local Housing Authority Self Insurance Act of 1981." LRS 33:1354 authorizes the Louisiana Housing Council, Inc. (LHC) to administer an inter-local risk management agency, with the insurance committee of the LHC constituting the board of trustees for such agency. LHC is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana.

Risk-Sharing Pools

Participating housing authorities transfer risk of loss to the funds in the risk-sharing pool. If the assets of the Agency are exhausted, participants will be responsible for their respective outstanding claims.

The Workers' Compensation Fund had seventy and sixty-nine housing authorities participating as of March 31, 2011 and 2010, respectively. The Fund uses the Louisiana Workers' Compensation Corporation (LWCC) for claims processing and has established a "Loss Deposit" account with them.

The Health Fund had forty-four and forty-three housing authorities participating as of March 31, 2011 and 2010, respectively. Benefit Management Systems performs the claims processing for the Health Fund.

The General Liability Fund had one hundred twenty-two and one hundred twenty-five housing authorities participating as of March 31, 2011 and 2010, respectively. F. A. Richard & Associates performs claims processing for the General Liability Fund and maintains a "Loss Fund" account for payment of claims.

The Fire and Extended Coverage Fund had one hundred twenty-five and one hundred twenty-one housing authorities participating as of March 31, 2011 and 2010, respectively. F. A. Richard & Associates performs claims processing for the Fire and Extended Coverage Fund and maintains a "Loss Fund" account for payment of claims.

Fund underwriting and rate-setting policies have been established by the LHC Insurance Committee, which is the governing body of the Agency.

Insurance-Purchasing Pools

The insurance-purchasing pools include the Long-Term Disability Fund, Life Insurance Fund and the Public Officials Liability Fund, which are comprised of members of the Louisiana Housing Council, Inc. The Funds receive premiums from the housing authorities and pool the funds to purchase commercial insurance products.

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting

The Agency is considered an enterprise fund and, accordingly, uses the accrual method of accounting.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011

Note 2-Summary of Significant Accounting Policies (Continued)

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

C. Method Used to Value Investments

Investments are reported at fair value. Fair value is based on the market value on the last business day of the fiscal year. Purchases and sales of securities are reflected on the trade date. Interest income is recorded as earned on the accrual basis.

The Agency adopted the Fair Value Measurements and Disclosures Topic of the FASB - Accounting Standards Codification as of January 1, 2008. Under the Fair Value Measurements and Disclosures Topic of the FASB - Accounting Standards Codification, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The Codification topic establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Agency. Unobservable inputs are inputs that reflect the Agency's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Assets measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.

Level II: Prices based on observable inputs corroborated by market data but no quoted active markets.

Level III: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investments.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011

Note 2-Summary of Significant Accounting Policies (Continued)

D. Premium Income and Accounts Receivable

Premiums are recognized as income over the life of the policies as they are earned. Accounts receivable are current and considered to be fully collectible by management; therefore, no reserve for bad debts has been established.

E. Unpaid Claims Liability

(I) Workers' Compensation Fund, Health Fund, Fire & Extended Coverage Fund and General Liability Fund

These funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future costs is implicit in the calculation. The carrying amount of liabilities for claims losses and claims expense is presented at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

(II) All Other Insurance Funds

These funds buy insurance from various commercial insurance companies to cover all claims; therefore, no reserve for unpaid claims liability has been established.

F. Excess and Reinsurance Policies

The funds in the risk-sharing pools purchase excess and reinsurance policies to reduce exposure to large losses on insured events. Under excess policies, once claims reach the provided specific or aggregated stop loss limit, the liability transfers to the excess insurer. Reinsurance policies permit recovery of a portion of losses, although they do not discharge the primary liability of the individual funds as direct insurer of the risks. Funds do not report reinsured risks as liabilities unless it is probable that those costs will not be covered by reinsurers. The Agency evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize their exposure to significant losses from reinsurer insolvencies.

G. Income Taxes

The Agency is exempt from federal income taxes under Sections 7701 and 115 (1) of the Internal Revenue Code.

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011**

Note 2-Summary of Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, the unpaid claims liability for all risk-sharing pools.

Note 3-Agency Pool

The Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency sponsors an Agency Pool, which includes only the Pension Fund. This fund receives the contributions from the housing authorities and remits them to the custodian.

Note 4-Cash, Cash Equivalents and Investments

A. Agency

For reporting purposes, cash and cash equivalents include cash on hand, financial institution deposits and all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market value. Under state law, the Agency may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Agency may purchase time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, invest in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Under Louisiana Revised Statutes, the Agency may invest in obligations of the U.S. Treasury, obligations of U.S. Agencies which are guaranteed by the U.S. government or U.S. government agencies, repurchase agreements, certificates of deposit as mentioned above, investment grade commercial paper, investment grade corporate notes and bonds, and other investments as required by the terms of bond trust indentures.

B. Cash and Cash Equivalents

At March 31, 2011 and 2010, the carrying amount of the Agency's cash and cash equivalents was \$5,035,023 and \$4,842,187, respectively. This was comprised of bank balances of \$200,000 at March 31, 2010, and investments in money market funds used in daily operations of \$5,035,023 and \$4,642,187, respectively.

At March 31, 2010, the Agency had \$200,000 in deposits (collected bank balances) with the entire amount covered by the Federal Deposit Insurance Corporation (FDIC). The Agency had no collected bank balances as of March 31, 2011.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011

Note 4-Cash, Cash Equivalents and Investments (Continued)

C. Investments

(I) Interest Rate Risk

The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table summarizes the Agency's segmented time distribution investment maturities in years by investment type as of March 31, 2011.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1 - 5</u>
U.S. Treasury Notes	\$478,064		\$478,064
U.S. Government Agency Bonds	1,920,854		1,920,854
U.S. Government Agency Notes	<u>3,517,910</u>	<u>\$75,334</u>	<u>3,442,576</u>
<u>Total Investments</u>	<u>5,916,828</u>	<u>75,334</u>	<u>5,841,494</u>

(II) Credit Risk

State law limits investments to those indicated under the agency caption within this footnote. It is the Agency's policy to limit its investments in these investment types to the top rating issued by Nationally Recognized Statistical Rating Organizations. As of March 31, 2011, all of the Agency's investments were rated AAA by Standard & Poors.

(III) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investments are held by the custodial bank as an agent for the Agency, in the agency name and are thereby not exposed to custodial credit risk.

(IV) Concentration of Credit Risk

The Agency places no limit on the amount that may be invested in any one issuer. The Agency has no investments in any single organization (other than those issued or guaranteed by the U.S. Government) that represent five percent or more of the Agency's total assets.

Note 5-Unpaid Claims Liabilities

The funds shown below have established liabilities for both reported and unreported insured events, which include estimates of future payments of losses and related claim adjustment expenses, both allocated and unallocated.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011

Note 5-Unpaid Claims Liabilities (Continued)

Changes in these liabilities are as follows:

	Workers Compensation Fund	Health Fund	Fire Extended Coverage Fund	General Liability Fund	Total
March 31, 2011					
Unpaid claims and claims adjustment expenses at March 31, 2010	<u>\$113,920</u>	<u>\$289,528</u>	<u>\$536,106</u>	<u>\$545,034</u>	<u>\$1,484,588</u>
Incurring claims and claims adjustment expenses of the current period		2,423,877	737,155	312,758	3,473,790
Increases (decreases) in provision for insured events of prior years	<u>(37,111)</u>	<u>(208,047)</u>	<u>(150,444)</u>	<u>(80,563)</u>	<u>(476,165)</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>(37,111)</u>	<u>2,215,830</u>	<u>586,711</u>	<u>232,195</u>	<u>2,997,625</u>
Payments for claims and claims adjustment expenses attributable to:					
Insured events of current year		2,178,586	498,653	55,584	2,732,823
Insured events of prior years	<u>5,540</u>	<u>111,667</u>	<u>337,034</u>	<u>86,591</u>	<u>540,832</u>
<u>Total payments and claims adjustment expenses</u>	<u>5,540</u>	<u>2,290,253</u>	<u>835,687</u>	<u>142,175</u>	<u>3,273,655</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>71,269</u>	<u>215,105</u>	<u>287,130</u>	<u>635,054</u>	<u>1,208,558</u>
March 31, 2010					
Unpaid claims and claims adjustment expenses at March 31, 2009	<u>\$145,300</u>	<u>\$197,486</u>	<u>\$574,659</u>	<u>\$781,604</u>	<u>\$1,699,049</u>
Incurring claims and claims adjustment expenses of the current period		2,079,174	1,077,007	186,490	3,342,671
Increases (decreases) in provision for insured events of prior years	<u>5,541</u>	<u>(105,028)</u>	<u>379,889</u>	<u>(132,791)</u>	<u>147,611</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>5,541</u>	<u>1,974,146</u>	<u>1,456,896</u>	<u>53,699</u>	<u>3,490,282</u>
Payments for claims and claims adjustment expenses attributable to:					
Insured events of current year		1,789,696	609,321	27,237	2,426,254
Insured events of prior years	<u>36,921</u>	<u>92,408</u>	<u>886,128</u>	<u>263,032</u>	<u>1,278,489</u>
<u>Total payments and claims adjustment expenses</u>	<u>36,921</u>	<u>1,882,104</u>	<u>1,495,449</u>	<u>290,269</u>	<u>3,704,743</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>113,920</u>	<u>289,528</u>	<u>536,106</u>	<u>545,034</u>	<u>1,484,588</u>

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011

Note 6-Restricted Cash

As of March 31, 2010, the Workers' Compensation Fund has pledged and assigned a \$200,000 Certificate of Deposit to Louisiana Worker's Compensation Corporation to secure the payments and performance of the obligations of the Fund.

Note 7-Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at March 31, 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>	
Investments	<u>\$5,916,828</u>	<u>\$4,666,132</u>	
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un- observable Inputs (Level 3)
<u>March 31, 2011</u>			<u>Total</u>
Investments			
U.S. Treasury Notes	\$478,064		\$478,064
U.S. Government Agency Bonds	1,920,854		1,920,854
U.S. Government Agency Notes	<u>3,517,910</u>		<u>3,517,910</u>
	<u>5,916,828</u>		<u>5,916,828</u>
<u>March 31, 2010</u>			
Investments			
U.S. Treasury Notes	\$78,020		\$78,020
U.S. Government Agency Bonds	2,098,700		2,098,700
U.S. Government Agency Notes	<u>2,489,412</u>		<u>2,489,412</u>
	<u>4,666,132</u>		<u>4,666,132</u>

Generally, for all investments and assets held in trust, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 8-Reinsurance Policy Coverage

A. Workers' Compensation Fund

The Agency carries its worker's compensation coverage on a "first-dollar" basis. As a result, at March 31, 2011, the Fund has no specific event liability and no stop loss aggregate. Premiums ceded to excess insurers during the years ended March 31, 2011 and 2010 were \$549,432 and \$526,865, respectively.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011

Note 8-Reinsurance Policy Coverage (Continued)

B. Health Fund

At March 31, 2011 and 2010, the Fund had reinsurance with each participant having a lifetime maximum coverage of \$1,000,000. The self insured retention is \$60,000 for each individual. Premiums ceded to reinsurers during the years ending March 31, 2011 and 2010 were \$413,668 and \$371,493, respectively, and the amount deducted from claims was \$256,531 and \$112,460, respectively. All of the reinsurance activity was with a single reinsurer. The anticipated recoverable amount as of March 31, 2011 was \$11,515 and at March 31, 2010 was \$189,196.

C. Fire & Extended Coverage Fund

At March 31, 2011 and 2010, the Fund had excess insurance with a self insured retention of \$175,000 for each specific event and aggregate stop losses of \$1,750,000 for the policy periods with the exception of named windstorms in tiers 1 & 2, which had a SIR of 5% of the building values at the time of loss subject to a \$250,000 minimum deductible. Premiums ceded to excess insurers during the years ending March 31, 2011 and 2010, were \$5,008,017 and \$4,999,398, respectively. The policy period runs from April 1st to March 31st of each year. Reinsurance activity was with multiple reinsurers. The anticipated recoverable amount as of March 31, 2011 was \$90,954 and at March 31, 2010 was \$110,513.

D. General Liability Fund

At March 31, 2011 and 2010, the General Liability Fund had excess insurance with a self insured retention of \$50,000 and \$100,000, respectively, for each specific event and an aggregate stop loss of \$505,000 for the policy periods. Premiums ceded to excess insurers during the years ending March 31, 2011 and 2010 were \$525,000 and \$521,000, respectively. The policy period runs from April 1st to March 31st of each year. Reinsurance activity was with a single reinsurer. The anticipated recoverable amounts as of March 31, 2011 and 2010 were \$38,072 and \$78,952, respectively.

Note 9-Related Party Transactions

The Louisiana Housing Council, Inc. (LHC) provides benefits and services to the housing authorities, as well as access to lower cost insurance, but does not participate in the insurance. The Fire and Extended Coverage, General Liability and Public Officials Liability Funds pay a fee to LHC based on housing authorities' participation in the pool of fire & extended coverages, general liability and public officials liability policies. These fees are recognized when the policies are billed. Total fees for the years ended March 31, 2011 and 2010 were \$127,241 and \$127,259, respectively.

The Agency pays consulting fees to a member of its board of directors for assistance with insurance related issues. These fees were \$20,004 and \$21,671 for the years ended March 31, 2011 and 2010, respectively.

The Agency purchases public official's liability insurance and a fiduciary bond to cover its board of directors from Arthur J. Gallagher Risk Management Services, Inc., the Plan Administrator. Total amounts paid for these policies were \$25,218 and \$24,925 for the years ended March 31, 2011 and 2010, respectively.

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2011**

Note 10-Administrative Services

Arthur J. Gallagher Risk Management Services, Inc., is a third-party service agent hired by the funds to perform the risk management and administrative functions of the Agency. Their fees are based on different criteria for each type of insurance coverage. Total fees expensed for the years ended March 31, 2011 and 2010, were \$122,234 and \$121,488, respectively.

Note 11-Forfeitures Payable

The Pension Fund has a forfeiture account with ING, which provides the pension plan to the housing authority participants, with balances of \$93,704 and \$85,905 at March 31, 2011 and 2010, respectively. These amounts will be allocated to the participants.

Note 12-Contingent Liabilities

The Agency is a litigant in several lawsuits. The Agency, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the Agency.

Note 13-Subsequent Events

The Agency evaluated all subsequent events through September 16, 2011, the date the financial statements were available to be issued.

Required Supplementary Information

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Workers Compensation Fund**

	Year Ended March 31										Six Months Ended March 31				Year Ended September 30			
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2006	2005	2004	2003	2002	2003	2002	2002
Required contribution and investment revenue																		
Earned	\$930,590	\$765,294	\$929,311	\$873,407	\$738,143	\$758,306	\$700,098	\$727,372	\$328,756	\$746,838								
Ceded	(549,432)	(526,865)	(564,185)	(571,192)	(399,438)	(318,486)	(338,076)	(350,165)	(123,709)	(219,682)								
Net earned	381,158	238,429	365,126	302,215	338,705	439,820	362,022	377,207	205,047	527,156								
Unallocated expenses	67,460	84,342	921,159	32,333	32,859	33,632	62,089	59,176	31,058	52,536								
Estimated claims and expenses end of policy year																		
Incurred	-	-	-	-	-	291,426	113,987	202,831	180,000	117,943								
Ceded	-	-	-	-	-	-	-	-	-	-								
Net incurred	-	-	-	-	-	291,426	113,987	202,831	180,000	117,943								
Net paid, cumulative as of																		
End of policy year	-	-	-	-	-	40,411	13,291	20,004	15,305	18,923								
One year later	-	-	-	-	-	161,417	40,027	132,474	92,811	29,114								
Two years later	-	-	-	-	-	269,486	64,021	170,002	142,348	45,792								
Three years later	-	-	-	-	-	258,219	121,251	266,356	242,273	62,081								
Four years later	-	-	-	-	-	291,768	122,588	273,488	248,113	86,854								
Five years later	-	-	-	-	-	295,927	122,588	313,789	248,499	87,765								
Six years later	-	-	-	-	-	-	122,588	313,789	250,394	87,765								
Seven years later	-	-	-	-	-	-	-	313,789	252,671	87,765								
Eight years later	-	-	-	-	-	-	-	-	254,053	87,765								
Nine years later	-	-	-	-	-	-	-	-	-	-								
Ten years later	-	-	-	-	-	-	-	-	-	-								
Re-estimated ceded claims and expenses																		
Re-estimated net incurred claims and expenses																		
End of policy year	-	-	-	-	-	291,426	113,987	202,831	180,000	117,943								
One year later	-	-	-	-	-	365,000	122,044	355,628	180,000	114,978								
Two years later	-	-	-	-	-	362,393	175,122	375,000	251,421	121,584								
Three years later	-	-	-	-	-	321,790	133,983	316,096	285,828	83,624								
Four years later	-	-	-	-	-	335,003	129,453	337,382	248,113	123,174								
Five years later	-	-	-	-	-	304,244	126,021	322,261	276,796	87,765								
Six years later	-	-	-	-	-	-	124,426	318,496	316,786	87,765								
Seven years later	-	-	-	-	-	-	-	315,986	315,216	87,765								
Eight years later	-	-	-	-	-	-	-	-	312,969	87,765								
Nine years later	-	-	-	-	-	-	-	-	-	-								
Ten years later	-	-	-	-	-	-	-	-	-	-								
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	-	-	-	-	12,818	10,439	113,155	132,969	(30,178)								

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year. The Agency moved to a "first-dollar" plan for the 2007 fiscal year and, therefore, does not have any incurred claims or expense from that year forward.

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Health Fund**

	Six Months Ended March 31						Year Ended September 30			
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Required contribution and investment revenue										
Earned	\$3,126,213	\$2,953,774	\$2,958,031	\$2,911,240	\$2,497,743	\$2,239,622	\$2,159,351	\$2,099,982	\$1,118,293	\$2,162,595
Ceded	(413,668)	(371,493)	(341,793)	(340,240)	(278,664)	(331,553)	(333,720)	(306,205)	(157,188)	(336,105)
Net earned	2,712,545	2,582,281	2,616,238	2,571,000	2,219,079	1,908,069	1,825,631	1,793,777	961,105	1,826,490
Unallocated expenses										
	163,278	141,293	125,468	149,356	143,873	116,526	95,380	90,272	22,157	49,871
Estimated claims and expenses end of policy year										
Incurred	2,472,361	2,112,348	2,003,639	2,051,410	2,394,265	2,068,509	1,844,124	2,092,928	889,444	1,884,317
Ceded	(256,531)	(112,460)	(384,590)	(264,084)	(134,614)	(90,826)	(66,431)	(390,227)	(10,063)	(336,576)
Net incurred	2,215,830	1,999,888	1,619,049	1,787,326	2,259,651	1,977,683	1,777,693	1,702,701	879,381	1,547,741
Net paid, cumulative as of										
End of policy year	2,178,586	1,789,696	1,421,613	1,533,938	2,031,819	1,625,136	1,461,395	1,392,404	602,117	1,213,687
One year later		1,901,363	1,514,021	1,750,434	2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Two years later			1,514,021	1,750,434	2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Three years later				1,750,434	2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Four years later					2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Five years later						2,019,043	1,704,827	1,596,794	830,141	1,347,440
Six years later							1,704,827	1,596,794	830,141	1,347,440
Seven years later								1,596,794	830,141	1,347,440
Eight years later									830,141	1,347,440
Nine years later										1,347,440
Ten years later										1,347,440
Re-estimated ceded claims and expenses										
	256,531	112,460	384,590	264,084	134,614	90,826	66,431	390,227	10,063	336,576
Re-estimated net incurred claims and expenses										
End of policy year	2,423,877	2,079,174	1,619,049	1,787,326	2,259,651	1,977,683	1,777,693	1,702,701	879,381	1,547,741
One year later		1,871,127	1,514,021	1,750,434	2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Two years later			1,514,021	1,750,434	2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Three years later				1,750,434	2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Four years later					2,260,767	2,019,043	1,704,827	1,596,794	830,141	1,347,440
Five years later						2,019,043	1,704,827	1,596,794	830,141	1,347,440
Six years later							1,704,827	1,596,794	830,141	1,347,770
Seven years later								1,596,794	830,141	1,347,770
Eight years later									830,141	1,347,770
Nine years later										1,347,770
Ten years later										1,347,770
Increase in estimated net incurred claims and expenses from end of policy year	-	(208,047)	(105,028)	(36,892)	1,116	41,360	(72,866)	(105,907)	(49,240)	(199,971)

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). The Schedule illustrates how the Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
General Liability Fund

	Year Ended March 31					Six Months Ended March 31		Year Ended September 30				
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002		
Required contribution and investment revenue												
Earned	\$1,420,738	\$1,408,488	\$1,279,252	\$1,299,639	\$1,245,164	\$1,205,413	\$1,156,125	\$1,147,058	\$539,384	\$969,455		
Ceded	(525,000)	(521,000)	(547,270)	(570,000)	(570,000)	(550,433)	(596,967)	(845,522)	(340,772)	(470,867)		
Net earned	895,738	887,488	731,982	729,639	675,164	654,980	559,158	301,536	198,612	498,588		
Unallocated expenses	132,011	220,857	420,853	229,307	181,284	113,733	107,151	99,181	40,657	99,131		
Estimated claims and expenses, end of policy year												
Incurred	312,758	186,490	217,535	294,781	500,000	278,249	317,399	341,643	251,236	170,000		
Ceded												
Net incurred	312,758	186,490	217,535	294,781	500,000	278,249	317,399	341,643	251,236	170,000		
Net paid, cumulative as of												
End of policy year	55,584	27,237	31,442	4,980	109,148	32,868	58,267	69,770	57,858	15,137		
One year later		72,720	59,905	52,075	212,096	109,879	147,171	142,230	67,318	15,137		
Two years later			62,472	88,016	292,917	165,364	273,824	229,116	87,665	44,878		
Three years later				90,391	399,798	183,487	400,884	500,000	120,588	58,444		
Four years later					410,800	183,487	467,877	500,000	127,340	80,344		
Five years later						183,487	450,000	500,000	174,020	88,153		
Six years later							450,000	500,000	144,829	88,153		
Seven years later								500,000	174,488	88,153		
Eight years later									174,488	88,153		
Nine years later										88,153		
Ten years later										88,153		
Re-estimated ceded claims and expenses				47,095	80,821	18,123	66,993		(29,191)			
Re-estimated net incurred claims and expenses												
End of policy year	312,758	186,490	218,100	294,781	500,000	278,249	317,399	341,643	251,236	170,000		
One year later		197,836	169,362	318,516	500,000	253,907	397,116	351,193	202,306	170,000		
Two years later			142,528	238,734	487,382	240,462	465,186	500,000	199,618	134,871		
Three years later				165,891	485,347	218,298	482,210	500,000	156,594	95,410		
Four years later					473,551	223,544	450,000	500,000	205,862	128,120		
Five years later						217,944	450,000	500,000	185,930	117,663		
Six years later							450,000	500,000	181,367	117,663		
Seven years later								500,000	183,767	117,663		
Eight years later									183,767	117,663		
Nine years later										117,663		
Ten years later										117,663		
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	11,346	(75,572)	(128,890)	(26,449)	(60,305)	132,601	158,357	(67,469)	(52,337)		

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). The Schedule illustrates how the Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Fire & Extended Coverage Fund

	Six Months Ended March 31, <u>Year Ended September 30,</u>									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Required contribution and investment revenue										
Earned	\$6,701,934	\$6,508,246	\$4,885,649	\$4,858,011	\$3,936,571	\$3,506,505	\$3,456,144	\$3,424,313	\$1,631,316	\$3,033,168
Ceded	(5,008,017)	(4,999,398)	(3,281,716)	(2,926,316)	(2,399,495)	(1,413,318)	(1,571,443)	(1,767,554)	(753,673)	(1,626,918)
Net earned	1,693,917	1,508,848	1,603,933	1,931,695	1,537,076	2,093,187	1,884,701	1,656,759	877,643	1,407,150
Unallocated expenses	281,101	632,504	1,162,790	147,067	125,258	100,180	64,502	62,321	3,652	51,021
Estimated claims and expenses, end of policy year										
Incurred	737,155	1,067,007	1,128,740	1,300,000	1,300,000	1,300,000	955,577	900,000	385,000	515,000
Ceded										
Net incurred	737,155	1,067,007	1,128,740	1,300,000	1,300,000	1,300,000	955,577	900,000	385,000	515,000
Net paid, cumulative as of										
End of policy year	498,653	609,321	606,620	882,831	858,936	1,050,486	451,440	412,061	306,882	52,678
One year later		955,166	797,188	1,300,000	1,300,000	1,300,000	960,886	900,000	417,026	336,969
Two years later			833,817	1,300,000	1,300,000	1,300,000	965,586	900,000	417,026	482,974
Three years later				1,300,000	1,300,000	1,300,000	965,586	900,000	417,026	482,974
Four years later					1,300,000	1,300,000	965,586	900,000	417,026	482,974
Five years later						1,300,000	965,586	900,000	417,026	482,974
Six years later							965,586	900,000	417,026	482,974
Seven years later								900,000	417,026	482,974
Eight years later									417,026	482,974
Nine years later										482,974
Ten years later										482,974
Re-estimated ceded claims and expenses										
Re-estimated net incurred claims and expenses										
End of policy year	737,155	1,077,007	1,180,313	1,300,000	1,300,000	1,300,000	955,577	900,000	385,000	515,000
One year later		991,287	865,608	1,300,000	1,300,000	1,300,000	981,307	900,000	470,612	515,000
Two years later			846,324	1,300,000	1,300,000	1,300,000	972,828	900,000	417,026	482,974
Three years later				1,300,000	1,300,000	1,300,000	970,414	900,000	417,026	482,974
Four years later					1,300,000	1,300,000	966,552	900,000	417,026	482,974
Five years later						1,300,000	965,586	900,000	417,026	482,974
Six years later							965,586	900,000	417,026	482,974
Seven years later								900,000	417,026	482,974
Eight years later									417,026	482,974
Nine years later										482,974
Ten years later										482,974
Increase in estimated net incurred claims and expenses from end of policy year		(85,720)	(333,989)	-	-	-	10,975	-	32,026	(32,026)

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). This is the eighth year for the Fire & Extended Coverage Fund, therefore, only eight years of information is shown. The Schedule illustrates how the Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Supplementary Information

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Combining and Combined Balance Sheets
March 31, 2011**

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2011 Totals
Assets									
Cash and cash equivalents	\$698,988	\$2,892,109			\$64,459	\$686,626	\$692,841		\$5,035,023
Investments	969,707					2,882,397	2,064,724		5,916,828
Premiums receivable	7,951	451			(574)				7,828
Due to/from other LHC funds	175,994	(39,757)				(97,237)	(39,000)		
Reinsurance receivables		11,515				90,954	38,072		
Prepaid expenses	152,795	59,084							
Other receivables	80,091				93,704			\$83,377	140,541
Escrow funds	26,897					6,612	(3,053)		295,256
Accrued interest	<u>3,292</u>					<u>9,708</u>	<u>8,752</u>		173,795
									30,456
									<u>21,752</u>
Total assets	<u>2,115,715</u>	<u>2,923,402</u>			<u>157,589</u>	<u>3,579,060</u>	<u>2,762,336</u>	<u>83,377</u>	<u>11,621,479</u>
Liabilities									
Accounts payable	3,334	130			66	2,700	2,850		9,080
Unpaid claims liability	71,269	215,105				287,130	635,054		1,208,558
Deposits	1,601					103,076		83,377	104,677
Unearned premiums	123,050				63,819				206,427
Pension funds payable					<u>93,704</u>				63,819
Pension forfeitures payable					<u>157,589</u>				<u>93,704</u>
Total liabilities	<u>199,254</u>	<u>215,235</u>				<u>392,906</u>	<u>637,904</u>	<u>83,377</u>	<u>1,686,265</u>
Net Assets									
Unrestricted	<u>1,916,461</u>	<u>2,708,167</u>				<u>3,186,154</u>	<u>2,124,432</u>		<u>9,935,214</u>
Total net assets	<u>1,916,461</u>	<u>2,708,167</u>				<u>3,186,154</u>	<u>2,124,432</u>		<u>9,935,214</u>
Total liabilities and net assets	<u>2,115,715</u>	<u>2,923,402</u>			<u>157,589</u>	<u>3,579,060</u>	<u>2,762,336</u>	<u>83,377</u>	<u>11,621,479</u>

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Combining and Combined Balance Sheets
March 31, 2010**

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2010 Totals
Assets									
Cash and cash equivalents	\$346,600	\$2,454,728			\$62,825	\$1,044,270	\$933,764		\$4,842,187
Restricted cash	200,000								200,000
Investments	921,061					2,458,818	1,286,253		4,666,132
Premiums receivable	175,994	10,482			4,235		1,360		16,077
Due to/from other LHC funds		(39,757)					(174,886)		
Reinsurance receivables		189,196				38,649			
Prepaid expenses	140,733	49,609	\$14,373		85,905	110,513	78,952	\$77,823	378,661
Other receivables									282,538
Escrow funds	26,149					1,282	5,125		85,905
Accrued interest	5,464					9,535	9,201		32,556
Total assets	<u>1,816,001</u>	<u>2,664,258</u>	<u>14,373</u>		<u>152,965</u>	<u>3,663,067</u>	<u>2,139,769</u>	<u>77,823</u>	<u>10,528,256</u>
Liabilities									
Accounts payable	1,667				63	1,780	1,835		5,345
Unpaid claims liability	113,920	289,528				536,106	545,034		1,484,588
Deposits	1,601					171,515			173,116
Unearned premiums	133,161		14,373			3,617		77,823	228,974
Pension funds payable					66,997				66,997
Pension forfeitures payable					85,905				85,905
Other payables						590,000			590,000
Total liabilities	<u>250,349</u>	<u>289,528</u>	<u>14,373</u>		<u>152,965</u>	<u>1,303,018</u>	<u>546,869</u>	<u>77,823</u>	<u>2,634,925</u>
Net Assets									
Restricted	200,000								200,000
Unrestricted	1,365,652	2,374,730				2,360,049	1,592,900		7,693,331
Total net assets	<u>1,565,652</u>	<u>2,374,730</u>				<u>2,360,049</u>	<u>1,592,900</u>		<u>7,893,331</u>
Total liabilities and net assets	<u>1,816,001</u>	<u>2,664,258</u>	<u>14,373</u>		<u>152,965</u>	<u>3,663,067</u>	<u>2,139,769</u>	<u>77,823</u>	<u>10,528,256</u>

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Combining and Combined Statements of Revenues, Expenses and Changes in Net Assets
Year Ended March 31, 2011

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2011 Totals
Revenues									
Premiums earned	\$845,806	\$3,108,574	\$43,365	\$87,626		\$6,587,803	\$1,392,069	\$198,651	\$12,263,894
Premiums ceded	(549,432)	(413,668)	(43,365)	(87,626)		(5,008,017)	(525,000)	(194,551)	(6,821,659)
Net premiums earned	296,374	2,694,906	0			1,579,786	867,069	4,100	5,442,235
Pension funds received					\$777,128				777,128
Investment income	21,761	3,114				78,198	52,183		155,256
Net appreciation (depreciation) in fair value of investments	(17,074)					(71,200)	(44,520)		(132,794)
LHC fee		14,525	1,452			100,085	21,006	6,150	127,241
Other	80,097					7,048			103,122
Total revenues	381,158	2,712,545	1,452		777,128	1,693,917	895,738	10,250	6,472,188
Expenses									
Claims expenses (benefits)	(37,111)	2,472,361				586,711	232,195		3,254,156
Less reinsurance proceeds		(256,531)							(256,531)
Net incurred claims expenses (benefits)	(37,111)	2,215,830				586,711	232,195		2,997,625
Administrative fees	20,000	11,682	1,452				85,000	4,100	122,234
Insurance coordinator fees	20,004	149,712			803	13,195	13,200		20,004
Claims administrator fees					776,325				176,910
Pension funds transferred						100,085	21,006	6,150	776,325
Fees paid to LHC		1,884				153,338	10,305		127,241
Bank service charges/other						13,483			190,983
Legal fees						1,000	2,500		13,483
Actuarial fees	2,000								5,500
Total expenses	30,349	2,379,108	1,452		777,128	867,812	364,206	10,250	4,430,305
Net Income (Loss)	350,809	333,437				826,105	531,532		2,041,883
Net Assets									
Beginning of year	1,565,652	2,374,730				2,360,049	1,592,900		7,893,331
End of year	1,916,461	2,708,167				3,186,154	2,124,432		9,935,214

Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Combining and Combined Statements of Revenues, Expenses and Changes in Net Assets
Year Ended March 31, 2010

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2010 Totals
Revenues									
Premiums earned	\$702,635	\$2,938,508	\$44,557	\$74,276		\$6,365,427	\$1,367,351	\$187,484	\$11,680,238
Premiums ceded	(526,865)	(371,493)	(44,927)	(74,276)		(4,999,398)	(521,000)	(183,484)	(6,721,443)
Net premiums earned	175,770	2,567,015	(370)			1,366,029	846,351	4,000	4,958,795
Pension funds received					\$722,846				722,846
Investment income	27,444	1,116				82,033	48,188		158,781
Net appreciation (depreciation) in fair value of investments	(11,233)					(40,000)	(27,524)		(78,757)
LHC fee		14,150	1,468			100,786	20,473	6,000	127,259
Other	46,448								62,066
Total revenues	238,429	2,582,281	1,098		722,846	1,508,848	887,488	10,000	5,950,990
Expenses									
Claims expenses	5,541	2,086,606				1,456,896	53,699		3,602,742
Less reinsurance proceeds		(112,460)							(112,460)
Net incurred claims expenses	5,541	1,974,146				1,456,896	53,699		3,490,282
Administrative fees	20,000	11,390	1,098				85,000	4,000	121,488
Insurance coordinator fees	21,671	127,806			757	19,795	15,318		21,671
Claims administrator fees					722,089				163,676
Pension funds transferred						100,786	20,473	6,000	722,089
Fees paid to LHC						12,326	6,316		127,259
Bank service charges/other	38,466	2,097				275			59,205
Legal fees	2,205					2,750	3,750		2,480
Actuarial fees	2,000					496,572	90,000		8,500
Policyholder dividends									586,572
Total expenses	89,883	2,115,439	1,098		722,846	2,089,400	274,556	10,000	5,303,222
Net Income (Loss)	148,546	466,842				(580,552)	612,932		647,768
Net Assets									
Beginning of year	1,417,106	1,907,888				2,940,601	979,968		7,245,563
End of year	1,565,652	2,374,730				2,360,049	1,592,900		7,893,331

**Louisiana Housing Council Authorities Group
Self Insurance Risk Management Agency
Financial Indicator Table
Year Ended March 31, 2011**

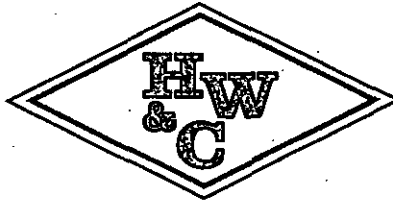
Loss Ratio = $\frac{\text{Incurred Losses and Loss Adjustment Expense}}{\text{Net Premiums Earned}}$	$\frac{\$2,997,625}{5,442,235}$	Loss Ratio = <u>55.08%</u>
Expense Ratio = $\frac{\text{Expenses (excluding expenses related to losses)}}{\text{Net Premiums Earned}}$	$\frac{1,432,680}{5,442,235}$	Expense Ratio = <u>26.33%</u>
Combined Ratio = Loss Ratio + Expense Ratio	<u>0.81</u>	Combined Ratio = <u>0.81</u>
Net Investment Income Ratio = $\frac{\text{Net Investment Income}}{\text{Net Premiums Earned}}$	$\frac{22,462}{5,442,235}$	Net Investment Income Ratio = <u>0.41%</u>
Operating Ratio = Combined Ratio - Net Investment Income Ratio	<u>0.40</u>	Operating Ratio = <u>0.40</u>
Yield on Invested Assets = $\frac{\text{Net Investment Income}}{\text{Investments}}$	$\frac{22,462}{5,916,828}$	Yield on Invested Assets = <u>0.38%</u>
Change in Net Assets = $\frac{\text{Increase in Net Assets}}{\text{Previous Year's Net Assets}}$	$\frac{2,041,883}{7,893,331}$	Change in Net Assets = <u>25.87%</u>
Return on Net Assets = $\frac{\text{Net Income}}{\text{Previous Year's Net Assets}}$	$\frac{2,041,883}{7,893,331}$	Return on Net Assets = <u>25.87%</u>
Net Premium Written to Net Assets = $\frac{\text{Net Premiums Written}}{\text{Net Assets}}$	$\frac{5,442,235}{9,935,214}$	Net Premium Written to Net Assets = <u>54.78</u>
Current Liability = $\frac{\text{Cash and Cash Equivalents + Investments}}{\text{Unearned Premium + Unpaid Claims Liability}}$	$\frac{10,951,851}{1,414,985}$	Current Liability = <u>7.74</u>

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Financial Indicator Table
Year Ended March 31, 2010

Loss Ratio = $\frac{\text{Incurred Losses and Loss Adjustment Expense}}{\text{Net Premiums Earned}}$	$\frac{\$3,490,282}{4,958,795}$	Loss Ratio = <u>70.39%</u>
Expense Ratio = $\frac{\text{Expenses (excluding expenses related to losses)}}{\text{Net Premiums Earned}}$	$\frac{1,226,368}{4,958,795}$	Expense Ratio = <u>24.73%</u>
Combined Ratio = Loss Ratio + Expense Ratio	<u>0.95</u>	Combined Ratio = <u>0.95</u>
Net Investment Income Ratio = $\frac{\text{Investment Income}}{\text{Net Premiums Earned}}$	$\frac{80,024}{4,958,795}$	Net Investment Income Ratio = <u>0.02</u>
Operating Ratio = Combined Ratio - Net Investment Income Ratio	<u>0.93</u>	Operating Ratio = <u>0.93</u>
Yield on Invested Assets = $\frac{\text{Investment Income}}{\text{Investments}}$	$\frac{80,024}{4,666,132}$	Yield on Invested Assets = <u>1.71%</u>
Change in Net Assets = $\frac{\text{Increase in Net Assets}}{\text{Previous Year's Net Assets}}$	$\frac{647,768}{7,245,563}$	Change in Net Assets = <u>8.94%</u>
Return on Net Assets = $\frac{\text{Net Income}}{\text{Previous Year's Net Assets}}$	$\frac{647,768}{7,245,563}$	Return on Net Assets = <u>8.94%</u>
Net Premium Written to Net Assets = $\frac{\text{Net Premiums Written}}{\text{Net Assets}}$	$\frac{4,958,795}{7,983,331}$	Net Premium Written to Net Assets = <u>62.11%</u>
Current Liability = $\frac{\text{Cash and Cash Equivalents} + \text{Investments}}{\text{Unearned Premium} + \text{Unpaid Claims Liability}}$	$\frac{9,708,319}{1,713,562}$	Current Liability = <u>5.67</u>

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

September 16, 2011

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Insurance Committee
Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Church Point, Louisiana

Members of the Committee:

We have audited the financial statements of the

**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Church Point, Louisiana**

as of and for the year ended March 31, 2011, and have issued our report thereon dated September 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Insurance Committee, the Louisiana Legislative Auditor and the Louisiana Insurance Commissioner and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Yours truly,

Hawthorn, Wymouth & Conell, LLP

**Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Summary Schedule of Audit Findings
March 31, 2011**

Findings - Financial Statement Audit

None.

**Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Summary Schedule of Prior Year Findings
March 31, 2011**

Findings - Financial Statement Audit

None.